

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Zettel Analyst: Marion Mann DeJong Bill Number: AB 149

Related Bills: See Prior Analysis Telephone: 845-6979 Amended Date: 05/16/2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Teacher Retention Credit/Apply Also to Credentialed Specialists, Preschool, Prekindergarten & Adult Education Teachers

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

X DEPARTMENT POSITION CHANGED TO SUPPORT.

X REMAINDER OF PREVIOUS ANALYSES OF BILL AS INTRODUCED AND AMENDED STILL APPLY.

OTHER - See comments below.

SUMMARY

This bill would extend the teacher retention tax credit to credentialed individuals who provide certain support services to students (e.g., school psychologists, language specialists, counselors, and school nurses) and to preschool, prekindergarten, and adult education teachers that are credentialed.

SUMMARY OF AMENDMENT

The May 16, 2001, amendments made the following changes:

- added a definition of the term "provides direct services to children in the case of a specialist,"
- specified that credentialed specialists who specialize in administrative services are not eligible for the credit, and
- made technical changes.

The May 16, 2001, amendments resolved the implementation concern regarding credentialed specialists, the policy consideration regarding administrators, and the two technical considerations raised in the department's prior analysis. The amendments also reduced the estimated revenue loss for the bill. Except for these items, the department's analyses of the bill as introduced January 29, 2001, and as amended April 4, 2001, still apply.

Board Position:

<u>X</u> S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ PENDING

Legislative Director

Date

Brian Putler

06/12/01

This analysis updates "This Bill," "Implementation Considerations," "Economic Impact," and "Arguments/Policy Concerns" from the department's prior analyses to reflect the May 16, 2001, amendments. In addition, a new position is provided to reflect recent action taken by the Franchise Tax Board.

POSITION

Support.

At its May 2, 2001, meeting, the Franchise Tax Board voted 2-0 to support this bill, with Annette Porini, on behalf of Member B. Timothy Gage, abstaining.

THIS BILL

This bill would extend the teacher retention tax credit to certain credentialed specialists (e.g., school psychologists, language specialists, counselors, and school nurses) that provide direct services to children. A credentialed specialist must hold one of the following four specialized service credentials and receive 80% of wages and salaries for providing the services designated on that credential:

1. Pupil personnel services
2. Health
3. Clinical or rehabilitative services
4. Library media teacher or librarian

No credit would be allowed to any person who holds a service credential with specialization in administrative services and receives at least 80% of his or her wages and salaries for providing administrative services. "Administrative services" would mean any of the following:

- Develop, coordinate, and assess instructional programs.
- Evaluate certificated and classified personnel.
- Provide student discipline, including, but not limited to, suspension and expulsion.
- Provide certificated and classified employees discipline, including, but not limited to, suspension, dismissal, and reinstatement.
- Supervise certificated and classified personnel.
- Manage school site, district, or county level fiscal services.
- Recruit, employ, and assign certificated and classified personnel.
- Develop, coordinate, and supervise student support services including, but not limited to, extracurricular activities, pupil personnel services, health services, library services, and technology support services.

This bill also would expand the definition of "qualifying educational institution" to include preschool and adult education schools that provide education for prekindergarten and adult education or any part thereof.

Thus, this bill would provide the teacher retention credit to all credentialed teachers or certain credentialed specialists that teach in any preschool, elementary, secondary, vocational-technical, or adult education school located in California.

IMPLEMENTATION CONCERNS

According to staff from the California Commission on Teacher Credentialing, preschool and prekindergarten teachers usually have permits instead of credentials. Such permits are required at state funded preschools. However, teachers at private preschools go through a review process, but are not required to have permits or credentials. This bill would extend the credit only to teachers who are credentialed. This may cause confusion regarding who can claim the credit and could lead to disputes between taxpayers and the department.

Department staff does not possess the expertise to determine what credentials are appropriate for the credit.

Current law limits the amount of the credit to 50% of the tax on the teacher's wages and salary from teaching. In most cases, wages and salary are subject to federal and state income tax withholding and reported on Treasury Form W2. If credentialed specialists do not receive W2s reflecting wages and salary for services as a credentialed specialist, determining the availability and amount of the credit for a credentialed specialist may be problematic because it is difficult to determine the amount of wages that are not reported on a W2.

The terms "preschool," "prekindergarten," and "adult education" are not defined. Undefined terms can lead to disputes between taxpayers and the department. Further, it should be noted that current law allows the credit to adult education teachers that teach kindergarten or grades 1 through 12 curricula. Depending on how "adult education" is defined, these teachers may already qualify for the credit.

ECONOMIC IMPACT

Tax Revenue Estimate

The May 16, 2001, amendments reduced the estimated revenue losses by \$22 million, \$19 million, and \$21 million for fiscal years 2001-02, 2002-03, and 2003-04, respectively. Based on the data and assumptions below, order of magnitude revenue effects are estimated as follows:

Estimated Revenue Impact			
Taxable/Income Years Beginning On or After January 1, 2001			
Enactment Assumed After June 30, 2001			
Fiscal Years			
(In Millions)			
	2001-02	2002-03	2003-04
Specialists	-\$17.0	-\$15.0	-\$16.0
Preschool/ prekindergarten/ adult ed.*	-\$4.1	-\$4.0	-\$4.0
Total	-\$21.1	-\$19.0	-\$20.0

*This estimate assumes that adult education would mean kindergarten and grades 1 through 12 curricula. If adult education were defined more expansively, the revenue loss would increase.

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Estimate Discussion

The revenue impact for the May 16, 2001, amendments would be determined by the number of credentialed teachers and credentialed specialists, the corresponding length of service, and the amount of credits that can be applied against available tax liabilities. Only credentialed specialists who fit the definition provided in the May 16, 2001, amendments have been included in this estimate. Administrators are not included. The estimates for preschool/prekindergarten are from the estimate provided for the bill as amended April 4, 2001.

It is projected that for the first tax year, 2001, approximately 19,000 credentialed specialists qualify for the credit. Information obtained from the Department of Education and the Department of Finance on tenure classes and salaries was used in the estimate. The rate that credits would be applied against tax was derived from state tax return data for employees with comparable incomes.

With the above exceptions noted, the revenue discussion in the department's previous analyses still apply.

ARGUMENTS/POLICY CONCERNS

Proponents argue that support services such as those provided by school psychologists, speech-language specialists, counselors, and school nurses are critical for academic success. Since the shortage of teachers that resulted in the teacher retention credit also exists in the support service professions, proponents argue that teacher recruitment and retention programs should include credentialed school specialists.

LEGISLATIVE STAFF CONTACT

Marion Mann DeJong
Franchise Tax Board
845-6979

Brian Putler
Franchise Tax Board
845-6333